

COUNTRY PROFILE: KAZAKHSTAN

September 2005

COUNTRY

Formal Name: Republic of Kazakhstan (Qazaqstan Respublikasy).

Short Form: Kazakhstan.

Term for Citizen(s): Kazakhstani(s).

Capital: Astana (formerly Aqmola) became the official capital of Kazakhstan in 1998, succeeding Almaty (formerly Alma-Ata) and moving the national government from the far southeast to the industrial north.

Other Major Cities: Almaty, Karaganda, Öskemen, Pavlodar, Shymkent, and Taraz.

Independence: The recognized date of independence is December 16, 1991, when the Republic of Kazakhstan split from the Soviet Union.

Public Holidays: The national holiday is October 25, Republic Day. Other holidays are International Women's Day (March 8), Novruz (spring equinox, March 21–22), Unification Day (May 1), Victory Day (May 9), Constitution Day (August 30), and Independence Day (December 16). Russian Orthodox citizens celebrate Christmas on January 7.

Flag: The flag has a sky-blue field with a golden sun and eagle in the center and a vertical golden ornamental strip on the left side.



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HISTORICAL BACKGROUND

Until the arrival of the Russians in the eighteenth century, the history of Kazakhstan was determined by the movements, conflicts, and alliances of Turkic and Mongol tribes. The Kazakhs' nomadic tribal society suffered increasingly frequent incursions by the Russian Empire, ultimately being included in that empire and the Soviet Union that followed it. The earliest states in the region were the Turkic Kaganate, established in the sixth century, and a state established by the Qarluq confederation in the eighth century. Islam was introduced by Arabs who entered Kazakh territory in the eighth and ninth centuries. Between the ninth and thirteenth centuries, the dominant states of the region were those of the Qarakhanids and the Karakitai. In the early thirteenth century, the latter group was conquered by the Mongols under Genghis Khan.

During centuries of Mongol rule, the territory of Kazakhstan broke up into several major groups known as khanates. The first leader of the Kazakhs was Khan Kasym, who ruled in the early sixteenth century. After having expanded significantly, the Kazakhs split into three groups,

called the Great Horde, the Middle Horde, and the Lesser Horde. In the eighteenth century, Russian traders advanced from the north, catching the hordes between them and Kalmyk invaders from the east. When the Great Horde was forced to accept Russian protection in the 1820s, all of the Kazakh groups had come under Russian control, and the decay of the nomadic culture accelerated. Uprisings against Russian rule began in the 1830s (under the national hero Khan Kene) and continued sporadically through the so-called Basmachi Rebellion of the 1920s.

Beginning in the nineteenth century, Kazakhstan suffered from waves of large-scale implantation of Russians, including the agricultural settlements of Tsar Nicholas II's Minister of Interior Pyotr Stolypin, the Virgin Lands project of Soviet leader Nikita Khrushchev (in power 1953–64) in the 1950s, and the relocation of Soviet industry to Kazakhstan in the 1960s and 1970s. Soviet leader Joseph V. Stalin (in power 1927–53) also forcibly resettled other ethnic groups in Kazakhstan. Soviet agricultural policy was especially harmful to indigenous people and their economy. As the Soviet Union began to deteriorate in the 1980s, Kazakh nationalism grew under Communist Party leader Dinmukhamed Kunayev. Nursultan Nazarbayev, the last leader of the Communist Party of Kazakhstan and an advocate of maintaining a union of Soviet republics with increased autonomy, became president of an independent Kazakhstan when the Soviet Union split apart in 1991.

In the post-Soviet era, Kazakhstan remained closely tied to Russia by energy supply lines, national defense, and the importance of Russian technologists in Kazakhstan's economy, but Nazarbayev also sought closer relations with the West. Beginning in the 1990s, the discovery of major new oil fields and subsequent international investment enabled Kazakhstan's economy to pull far ahead of its Central Asian neighbors. Since his first election in 1991, Nazarbayev has maintained firm control of Kazakhstan's political and economic policy, removing all potential political rivals, including four prime ministers. A new constitution ratified in 1995 significantly expanded presidential power. After canceling the 1996 presidential election, in 1999 Nazarbayev easily won an election that received international criticism. However, by the mid-1990s the ruling elite already had begun to show signs of factionalism. Beginning in 1999, a series of corruption scandals arose, and frequent changes of government disrupted economic policy. In 2002 the government arrested the leaders of the top opposition group, the Democratic Choice of Kazakhstan (DVK), and pressured the media to stop critical reporting. In 2004 corruption allegations against the Nazarbayev regime intensified as a U.S. oil executive was indicted on charges of bribing representatives of the Kazakhstan government. In 2004 and early 2005, a series of restrictions on opposition parties, including the liquidation of the DVK, brought accusations of a political crackdown in advance of the 2006 presidential election.

GEOGRAPHY

Location: Kazakhstan is located in the center of the continent of Asia, with a coastline only on the landlocked Caspian Sea. Russia forms its entire northern border.



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Size: At 2,717,000 square kilometers, Kazakhstan's area is about four times that of Texas, making Kazakhstan the ninth largest nation in the world. Some 47,500 kilometers of the total area is occupied by bodies of water.

Land Boundaries: Kazakhstan has common borders with the following countries: China (1,533 kilometers), Kyrgyzstan (1,051 kilometers), Russia (6,846 kilometers), Turkmenistan (379 kilometers), and Uzbekistan (2,203 kilometers).

Length of Coastline: Kazakhstan's only coastline runs 1,894 kilometers along the landlocked Caspian Sea.

Maritime Claims: Jurisdiction over oil, natural gas, and other resources in the Caspian Sea is in dispute with other littoral states.

Topography: Kazakhstan's topography varies considerably by region. In the east and northeast, about 12 percent of its territory is occupied by parts of the Altay and Tian Shan mountain ranges with elevations of up to 6,995 meters. More than three-quarters of the country is desert or semi-desert, with elevations less than 500 meters. Along the Caspian Sea, elevations are below sea level.

Principal Rivers: Seven of Kazakhstan's rivers are 1,000 kilometers or more in length: the Chu, Emba, Ili, Irtysh, Ishim, Syr-Darya, and Ural. The Irtysh and Ural rivers flow partly through Kazakhstan and partly through Russia. The Ili River flows from China into Lake Balkhash in eastern Kazakhstan. The Syr-Darya flows from eastern Uzbekistan across Kazakhstan into the Aral Sea.

Climate: Because Kazakhstan has no exposure to maritime weather patterns, the entire country has a continental climate featuring cold winters and hot summers. Rainfall, which varies from 100 to 200 millimeters per year, generally is heavier in the south and in the eastern mountains.

Natural Resources: Although estimates of Kazakhstan's hydrocarbon resources were reduced in 2004, the country is believed to possess about 1 percent of the world's total reserves of natural gas and petroleum. Also present are significant reserves of chromium, coal, copper, gold, lead, tungsten, and zinc. Substantial amounts of good agricultural land are present, although Soviet and post-Soviet agricultural practices have substantially reduced the extent of that land.

Land Use: In 2001 some 8 percent of land was rated as arable, a reduction from the 1998 estimate of 11.2 percent. Less than 0.1 percent of that land was under permanent crops. About 4.8 percent is forest and woodland. The remainder is pastureland, meadows, desert, and mountains. In 2001 irrigated land totaled an estimated 24,000 square kilometers.

Environmental Factors: Most of Kazakhstan's water supply has been polluted by industrial and agricultural runoff and, in some places, radioactivity. The Aral Sea, which is shared with Uzbekistan, has shrunk to three separate bodies of water because of water drawdowns in its tributary rivers. A Soviet-era biological weapons site is a threat because it is located on a former island in the Aral Sea that is now connected with the mainland. The reduction in the Aral Sea's

water surface has exacerbated regional climatic extremes, and agricultural soil has been damaged by salt deposits and eroded by wind. Desertification has eliminated substantial tracts of agricultural land. Plants in industrial centers lack controls on effluents into the air and water. The Semey region in the northeast has long-term radiation contamination from Soviet-era weapons testing. The Ministry of Environmental Protection is underfunded and given low priority. Some new environmental regulation of the oil industry began in 2003, but new oil operations on Kazakhstan's Caspian coast add to that sea's already grave pollution. International programs to save the Aral and Caspian seas have not received meaningful cooperation from Kazakhstan or other member nations.

Time Zones: Kazakhstan has three time zones, which are, respectively, five, six, and seven hours ahead of Greenwich Mean Time.

SOCIETY

Population: In 2005 Kazakhstan's population was estimated at 15,185,844, of which about 52 percent was female. Population density was 5.9 persons per square kilometer. Some 56 percent of the population lives in urban areas, and the population is heavily concentrated in the northeast and southeast. Because the annual growth rate has been negligible in the early 2000s, population growth is a critical issue for policy makers. Although in recent years a large number of legal and illegal immigrant workers have come to Kazakhstan from Kyrgyzstan and Uzbekistan, in 2005 the estimated net migration rate was -3.34 individuals per 1,000 population.

Demography: In 2005 some 23.7 percent of the population was younger than 15 years of age, and 7.9 percent was older than 64. The birthrate was 15.8 births per 1,000 population, and the death rate was 9.5 per 1,000 population. The overall fertility rate was 1.9 births per woman. The infant mortality rate was 29.2 deaths per 1,000 live births. Life expectancy at birth was 61.2 years for males and 72.2 years for females.

Ethnic Groups: According to the 1999 census, 53.4 percent of inhabitants were Kazakh, 30 percent Russian, 3.7 percent Ukrainian, 2.5 percent Uzbek, 2.4 percent German, and 1.4 percent Uyghur. In 1991 the Kazakh and Russian populations were approximately equal. Between 1989 and 1999, 1.5 million Russians and 500,000 Germans (more than half the German population) left Kazakhstan, causing concern over the loss of technical expertise provided by those groups. The Kazakh population is predominantly rural, and the Russian population is mainly urban.

Languages: Kazakh and Russian are official languages for commercial purposes. Kazakh, spoken by 64.4 percent of the population, is the official "state" language, and Russian, spoken by 95 percent of the population, is designated as the "language of interethnic communication."

Religion: Some 47 percent of Kazakhs are Muslims, primarily Sunni Muslims; 44 percent are Russian Orthodox, and 2 percent are Protestant. Because the Muslims of Kazakhstan developed their religion in isolation from the rest of the Islamic world, there are significant differences from conventional Shiite and Sunni practices. For example, the teachings of the Quran are much less central to the Kazakh version of Islam.

Education and Literacy: Education is mandatory between ages seven and 15. Primary school is a four-year period, followed by five years of mandatory general secondary school. Two years of specialized secondary school are optional. Beginning in the early 1990s, the primary language of instruction shifted from Russian to Kazakh, although in 2005 many institutions still were instructing in Russian. Between 1996 and 2002, the number of students in higher education increased from 281,000 to 515,000. However, the public education system has declined since the Soviet era, in part because of insufficient funding and in part because the emigration of Russian and German scientific experts has depleted the teaching corps in the technical fields. Beginning in 1999, government spending on education declined as a percentage of gross domestic product. Programs to restructure the Soviet-era education system have not been completed. Although the number of private education institutions doubled between 1996 and 2001, by 2001 that sector included only 7 percent of students, almost all at the higher education level. In 2003 some 177 institutions of higher learning were in operation, with 598,000 enrolled students. According to the 1999 census, Kazakhstan's literacy rate was 97.5 percent.

Health: In principle, health care is free. However, bribes often are necessary to obtain needed care. The quality of health care has declined in the post-Soviet era because of insufficient funding and the loss of technical experts through emigration. Between 1989 and 2001, the ratio of doctors per 10,000 inhabitants fell by 15 percent, to 34.6, and the ratio of hospital beds per 10,000 inhabitants fell by 46 percent to 74. Since 1991, health care has consistently lacked adequate government funding; in 2002 only 1.9 percent of gross domestic product went for that purpose. Wages for health workers are low, and equipment is in critically short supply. The main foreign source of medical equipment is Japan. The health system is in crisis in rural regions such as the Aral Sea region, where health is most affected by pollution. The most common diseases are respiratory infections, cardiovascular conditions, and tuberculosis. Since 2000, the incidence of human immunodeficiency virus (HIV) has increased, as has the incidence of environment-linked cancers. In 2003 an estimated 23,000 citizens had HIV. An estimated 80 percent of those cases were narcotics-related. Prevention and treatment services are not widely available for HIV victims; the National Strategic Plan allocated a total of US\$2.7 million for HIV/acquired immune deficiency syndrome (AIDS) treatment for 2001–5. A compulsory health insurance system has been under consideration for several years.

Welfare: Although the 1995 constitution retained many Soviet-era social protections, the state's funding level and service bureaucracies have not been able to provide adequate benefits for retirees, the disabled, the unemployed, orphans, and the infirm and elderly. Pension payments have been in arrears because of a demographic imbalance between pension contributors and pension recipients, and because of tax collection failures. In 1997 the government began replacing its inefficient pay-as-you-go pension system with individual pension funds overseen by the National Bank of Kazakhstan. By 2005 nearly all funds were privately run, under the supervision of the Ministry of Labor and Social Protection. In 2005 some 85 percent of Kazakhstan's workers were participating, and the system—the first private pension system in the Commonwealth of Independent States—had US\$3.7 billion in assets. Employees and the self-employed pay 10 percent of their income into mandatory retirement accounts. In 2004 social security and public assistance received 24.4 percent of state budget allocations. According to government figures, between 2000 and 2002 the percentage of the population falling below the poverty line declined from 34.5 percent to 24.2 percent, as average monthly earnings increased

by 32 percent. In 2004 the population below the poverty line was estimated at 19 percent. However, rural poverty is deeply entrenched.

ECONOMY

Overview: Because Kazakhstan's economy was closely linked to Russia's in the centrally planned system of the Soviet Union, the breakup of that union in 1991 caused a severe economic downturn in the years that followed. In the 1990s, the contribution of industry to the gross domestic product (GDP) fell from 31 percent to 21 percent, and GDP fell by 36 percent between 1990 and 1995. By 2002 new oil extraction operations restored the GDP share of industry to about 30 percent, and overall economic indicators rose substantially. The government engaged in widespread privatization, although many profitable enterprises went to members of the government-connected elite. The economy has remained poorly diversified; beginning in the early 2000s, oil has accounted for more than half of Kazakhstan's industrial output, and many other industries are dependent on it. Between 1994 and 2003, frequent changes of prime minister made government economic policy inconsistent and commitments to economic reform and diversification ineffectual. In the post-Soviet era, the labor-intensive agricultural sector became steadily less productive. The machine-building sector, producing construction equipment, agricultural machinery, and some defense items, has grown, however. As much as 30 percent of Kazakhstan's GDP is accounted for by the "shadow economy," particularly in rural areas. A key economic goal is membership in the World Trade Organization by 2006.

Gross Domestic Product (GDP): Kazakhstan's GDP has increased every year since 2000. In 2004 the estimated GDP was US\$39.8 billion, an increase of 9.3 percent over 2003. Forecasts of GDP growth in 2005 ranged between 8.5 and 9.2 percent. In 2004 per capita GDP was US\$2,650. Services contributed 54.8 percent, industry 37.8 percent, and agriculture 7.4 percent of the 2004 GDP.

Government Budget: After the national budget ran deficits of 3 to 4 percent of gross domestic product in the late 1990s, in the first years of the 2000s revenues and expenditures were approximately equal because of increased oil revenue and currency reform. In 2004 tax cuts and increased expenditures brought a budget shortfall of about US\$1.2 billion. The shortfall in 2005 rose to US\$6.4 billion. The 2006 national budget called for revenues of US\$109.6 billion and expenditures of US\$118.0 billion, creating a shortfall of US\$8.4 billion. In 2004 Kazakhstan reduced its value-added and payroll tax rates, while the corporate tax rate remained the same.

Inflation: In 1999 devaluation of the national currency caused inflation to rise dramatically, but the rate for 2000 was 9.8 percent, and it has remained below that level in subsequent years. In 2004 Kazakhstan's inflation rate was 6.9 percent, the same as in 2003. The official inflation projection for 2005 was 6 percent.

Agriculture, Forestry, and Fishing: Agriculture is the single largest employer, but between 1990 and 2004 its share of gross domestic product shrank from 35 percent to 7.4 percent. Few agricultural products have export value. The main agricultural products are grain, sugar beets, sunflower seed, fruits and vegetables, beef, and wool. Kazakhstan has agricultural land of good

quality, but its continental climate, exacerbated by soil-depleting agricultural practices, limits exploitation. Land privatization has been uneven and inefficient. In 2003 landholding law reforms failed to encourage trading in land, which would improve agricultural efficiency.

Of the 4.8 percent of Kazakhstan's territory that is forested, about 9 percent is nominally protected. Forest land is concentrated along the Chinese and Kyrgyz border and north of the Fergana Valley. Kazakhstan produces a small amount of timber for export, but imports of timber products far outnumber exports.

The desiccation of the Aral Sea ruined a prosperous fishing and fish-processing industry. In the Caspian Sea, stocks of sturgeon and other fish have been depleted sharply by pollution, poaching, and overfishing. Kazakhstan, however, has developed some sturgeon farms to replace the wild stock. In 2001 the total catch was 31,000 tons.

Mining and Minerals: Kazakhstan has rich deposits of chromium, coal, copper, gold, iron ore, tungsten, uranium, vanadium, and zinc. Coal mining, which has declined sharply in the post-Soviet era, is centered in the north-central Karaganda (Qaraghandy) Province, and copper mining, which has received substantial South Korean investment, is centered in Dzhezkazgan (Zhezkazghan) Province directly south of Karaganda. Phosphates are mined in Dzhambul (Zhambyl) and Chimkent (Shymkent) provinces along the southern border. Gold deposits in the northern provinces and at Zhambyl have not been fully exploited.

Industry and Manufacturing: Kazakhstan's industries are concentrated in the northern and northeastern provinces. In the first five years of the 1990s, the production of Kazakhstan's industrial sector fell by 52 percent compared with the last years of the Soviet era. The defense industry, which made a significant contribution to the Soviet system, virtually disappeared. Beginning in 2000, increased oil output stimulated industrial growth, although growth in other industries remained flat. High domestic fuel costs have hindered industrial expansion. Aside from oil-related activity, the main industries are metals processing, machine building, and the manufacture of construction materials. Substantial foreign investment has bolstered the metallurgy industries, and privatization has revived some enterprises. Since 2000 the construction industry has been stimulated by the need for new oil and gas infrastructure and the building of a new capital city at Astana. The most important light industrial products have been beer, cigarettes, and wheat flour.

Energy: The government maintains a virtual monopoly on energy industries. Despite its fossil fuel riches, Kazakhstan is a net importer of electricity, mainly from Russia. In 2004 Kazakhstan's 71 power plants produced 66.8 billion kilowatt-hours of electricity, 5 percent more than in 2003. Demand was about 5 billion kilowatt-hours higher than production. Between 1996 and 2005, the share of thermoelectric generation declined steadily and the share of hydroelectric generation increased, reaching 20 percent in 2005. The main fuel for thermoelectric power generation is coal from the Ekibastuz mines in the northeast. A major cause of the energy imbalance is an extremely high ratio of energy consumption to gross domestic product output. Payment arrears to source countries lead to periodic power cuts. Because of an inefficient domestic delivery system, Kazakhstan also imports natural gas from Uzbekistan, again incurring power cuts when payments lag. In 2004 domestic infrastructure improved sufficiently for

domestic output to equal consumption, at the level of 16 billion cubic meters. In the first half of 2005, Kazakhstan became a net exporter of natural gas for the first time, as production continued to increase. Beginning in the late 1990s, foreign investment has stimulated rapid development of the oil industry. The state-owned oil and gas company, Kazmunaigaz, provides 20 percent of output, with the remainder accounted for by three major foreign consortia: Tengizchevroil, the Karachaganak Integrated Operation, and the Agip Kazakhstan North Caspian Operating Company. In the early 2000s, the government attempted to improve the terms of foreign ownership in the oil and gas industries, although substantial restrictions remain on ownership of Caspian operations.

Services: Since 1995 Kazakhstan's banking system has been consolidated, partially privatized, and streamlined, but the financial services sector does not play a major role in financing the national economy or individual prosperity. After increasing constantly in the early 2000s, between 2003 and 2004 the amount of bank credit increased by 50 percent to a total of US\$9 billion, and banks deposits increased by 70 percent. The proportion of deposits in tenge rather than foreign currency increased substantially. Most industrial lending goes to the fuels industries. The level of corporate deposits increased substantially in the early 2000s, but personal deposits remained low. The three major banks are the privately owned commercial Kazkommertsbank; the state-owned Turan-Alem Bank, which specializes in foreign exchange; and the state-owned Halyk Bank.

Other service industries have grown rapidly from the low level of the Soviet era. Because they are small-scale, however, the value of these services often is not reflected in official statistics. Services often are targeted by protection rackets and corrupt officials. The retail sales sector is dominated by small shops and kiosks. The tourism industry has been minimal because Kazakhstan lacks sites of interest, and the infrastructure is undeveloped. Hotels serve mainly businesspeople.

Labor: In 2004 the total labor force was estimated at 7.95 million. In 2002 the labor force was divided by sectors as follows: 32 percent worked in agriculture, 14.7 percent worked in industry and construction, 14.4 percent worked in trade and catering, and 6.8 percent worked in transport and communications. Some 36.2 percent were self-employed. Between 1998 and 2004, the unemployment rate dropped from 13.7 percent to 8 percent. In 2004 the minimum wage was US\$37 per month, and average wages increased by 14 percent compared with 2003. In recent years, substantial numbers of illegal Uzbek immigrants have joined the workforce.

Foreign Economic Relations: Because it relies heavily on oil exports, Kazakhstan's landlocked position increases the cost of trade substantially. As a result of improved relations with Russia, in 2003 trade with that country increased by 30 percent over 2002, reaching US\$5.6 billion. That figure decreased slightly in 2004, to about US\$4.8 billion. Pipelines through Russia continue to carry the largest volume of Kazakhstan's exported oil, and Kazakhstan will not be connected with the Baku-Tbilisi-Ceyan pipeline bypassing Russia until 2008. Kazakhstan has not been able to revive economic interdependence among the former Soviet states in the Eurasian Economic Community (formerly the customs union of the Commonwealth of Independent States), which instead has insulated members from world prices and discouraged outside competition. Kazakhstan's manufactured goods have not been competitive on Western markets.

Since 1999 oil exports have provided Kazakhstan a substantial trade surplus; in 2004 export values totaled US\$20 billion and import values, US\$12.8 billion. The main export commodities are oil, natural gas, vegetable products, metals, and chemicals. The main import commodities are machinery and equipment, mineral products, chemicals, and semi-finished metal products. In 2004 the main purchasers of Kazakhstan's exports were Switzerland, Italy, Russia, and China. The main suppliers of Kazakhstan's imports were Russia (dominated by coal and electricity), Germany, China, and Ukraine. In 2004 exports to Russia amounted to 14.1 percent of Kazakhstan's total, and imports from that country accounted for 37.7 percent of total imports. The imbalance of Kazakhstan's domestic economy makes non-petroleum producers vulnerable to competition from imported goods. Poor border controls have encouraged the smuggling of goods into Kazakhstan, as well as unrecorded small-scale trade along the borders with Kyrgyzstan, Russia, and Uzbekistan.

Balance of Payments: In 2003 the overall balance of payments was US\$1.53 billion. Beginning in 2000, Kazakhstan's current account balance improved steadily because of its favorable trade balance and substantial increases in foreign direct investment (which is the highest in the former Soviet Union). In 2004 the current account balance was positive for the first time in four years because of increased oil prices and borrowing, and the capital account surplus increased because of increased direct foreign investment. After increasing steadily for the previous decade, the foreign exchange reserve reached US\$9.3 billion in 2004. The balance of portfolio investment, on the other hand, has been increasingly negative in the early 2000s.

External Debt: After rising steadily for several years, in 2004 the external debt reached US\$26 billion. This figure had been US\$17.5 billion in 2002 and US\$22 billion in 2003. Most of that debt is inter-company loans rather than public debt. Kazakhstan has borrowed regularly on international markets, and its bond rating was raised to "investment" level in 2002, improving access to international capital markets.

Foreign Investment: In the post-Soviet era, Kazakhstan has received about 80 percent of foreign investment in Central Asia. Led by the international oil industry, foreign investment has increased steadily during that time; between 2003 and 2004, foreign direct investment increased by 83 percent, to US\$8.4 billion. In the early 2000s, the largest investors have been from the United States (US\$3.1 billion in 2004), the Netherlands, and Britain. ChevronTexaco, a major investor since 1993, has a US\$3 billion investment commitment for Kazakhstan's oil industry in 2003–5. In the early 2000s, investment also grew rapidly in the consumer goods and transportation and communications industries.

Currency and Exchange Rate: The national currency is the tenge. In September 2005, the exchange rate was 134 tenge per US\$1.

Fiscal Year: Calendar year.

TRANSPORTATION AND TELECOMMUNICATIONS

Overview: The transportation infrastructure does not meet the needs of a vast country whose per-capita volume of road and railroad shipping is one of the highest in the world and whose climatic extremes put particular stress on transportation infrastructure. The telecommunications infrastructure is similarly inadequate to meet contemporary needs. Critical repairs and expansion have not received adequate funding or organized planning, although international banks have funded some projects.

Roads: In 2004 Kazakhstan had about 81,300 kilometers of roads, of which 78,000 were hard surface. Of the 23,000 kilometers of main highways, an estimated two-thirds are in poor condition. The major artery, the 1,222-kilometer road between Astana and Almaty, was rehabilitated in the early 2000s with funding from three international banks. With assistance from the European Bank for Reconstruction and Development, another important highway is being completed along the Caspian coast between Turkmenbashi in Turkmenistan and Astrakhan in Russia, serving Kazakhstan's western oil outposts. There are 46 road crossings on the border with Russia, seven each on the borders with Kyrgyzstan and Uzbekistan, and six on the border with China. Ownership of private vehicles remained low in the early 2000s.

Railroads: In 2004 Kazakhstan had an estimated 13,700 kilometers of rail line, of which 3,661 kilometers were electrified. The infrastructure of the railroad system is in poor condition, although Kazakhstan still moves nearly 75 percent of its freight and 50 percent of its passengers by rail. Rolling stock and spare parts have been in short supply. The system is concentrated in the northern part of the country, where it connects with lines in southern Russia. Lines also run northeast from Almaty to join the Trans-Siberian Railroad in Russia and westward from Almaty to Shymkent and then into European Russia. The main connector with Uzbekistan runs into Shymkent. Needed reform of the administrative structure and route improvements have gone slowly. A high priority is construction of a shorter rail route across Kazakhstan to link western China with Russia. Kazakhstan and Kyrgyzstan plan a 100-kilometer connector line from Almaty to Lake Issyk-Kul in Kyrgyzstan, to be completed in 2008. A rail line connects Druzhba, on Kazakhstan's eastern border, with China via the Alatau Shankou Pass. Almaty also plans to build a 35-kilometer subway line.

Ports: Kazakhstan's major ports are the cities of Aqtau and Atyrau on the Caspian Sea and the Irtys River ports of Öskemen, Pavlodar, and Semey, which serve the northeastern industrial sector. Beginning in 1999, Aqtau was upgraded, with the goal of handling 7.5 million tons of oil and 1 million tons of freight per year. A new ferry port opened in Aqtau in 2001 added substantially to its capacity and established ferry connections with Azerbaijan, Iran, and Russia.

Inland Waterways: Although Kazakhstan has about 4,000 kilometers of inland waterways, 80 percent of river traffic uses the Irtys River. Eleven companies carry traffic through the system.

Civil Aviation and Airports: In 2004 some 18 major airports and 51 smaller paved-runway airports served Kazakhstan. Three, at Almaty, Aqtau, and Atyrau, offer international flights. Nine airports have runways longer than 3,000 meters. Flights from Almaty connect with Russia, other former Soviet republics, and some destinations in Europe, Asia, and the Middle East. The

government has contracted management of some airports to foreign companies, and in the early 2000s foreign companies began competing with domestic airlines. In 2002 one-third of Kazakhstan's air companies lost their licenses because of lax safety practices, and many companies merged thereafter. Air Kazakhstan, the state airline, has been plagued by debt and decaying infrastructure. The Atyrau airport is scheduled for upgrading with funding from the European Bank for Reconstruction and Development.

Pipelines: Because Kazakhstan is a large country producing large amounts of oil and natural gas, pipelines receive high priority in transportation planning, and their location and funding have been controversial issues. In 2004 Kazakhstan had 10,370 kilometers of natural gas pipeline, 10,158 kilometers of oil pipeline, 1,187 kilometers of pipeline for refined products, and 1,465 kilometers for water. Poor management and distribution of the domestic pipeline system have necessitated importation of natural gas, and foreign investment has concentrated on export lines. Kazakhstan is linked to the Russian pipeline system by the Atyrau-Samara line, whose capacity was increased in 2001, and to Russia's Black Sea oil terminal at Novorossiysk by the Caspian Pipeline Consortium line. The Central Asia Oil Pipeline sends oil from Kazakhstan through Turkmenistan and Afghanistan to Pakistan's Arabian Sea port of Gwadar. In late 2004, construction began on the Atasu-Alashankou oil pipeline between eastern Kazakhstan and Xinjiang Province in China. That 970-kilometer line is to have a capacity of 20 million tons per year.

Telecommunications: Although Kazakhstan has the best telephone system in Central Asia, the system rates poorly by world standards, providing only 12 lines per 1,000 inhabitants in 2003. Attempts to attract foreign investment have largely failed. The state-owned national telecommunications company, Kazakhtelcom, has received assistance from the European Bank for Reconstruction and Development in a nationwide program of expansion and modernization. Particular growth has occurred in mobile phone access; in 2002 more than 1 million people used mobile telephones, compared with 29,000 in 1994. The planned launch of the KazSat communications satellite from the Baykonur space platform in late 2005 or 2006, with Russian technical assistance, would reduce dependence on European and U.S. telecommunications satellites.

Expansion of Internet use has been limited by the relatively low ownership of computers in Kazakhstan. Most users access the Internet at public or work facilities. Usage is concentrated in the northern urban centers. In 2003 an estimated 250,000 people were using the Internet, with about 1,600 domestic servers. More than half the sites being accessed were foreign.

GOVERNMENT AND POLITICS

Overview: Kazakhstan has been ruled by one person, Nursultan Nazarbayev, since before the end of the Soviet Union in 1991. During that time, governance has been destabilized by the dismissal of several governments, a series of referenda that changed governmental practice, long periods of rule by presidential decree, and the establishment of two new constitutions. These events have concentrated power in the presidency, severely limiting the power of the legislature and the ministries. Nazarbayev has acted to discourage opposition, although some opposition

parties exist. Government corruption has been a major issue. In 2004 the corruption index of Transparency International rated Kazakhstan 122 out of 146 countries.

Executive Branch: The president is elected by direct ballot to a five-year term. The constitutions of 1993 and 1995 have given increased powers to the president, and subsequent referenda have made key changes such as the abolition of the two-term limit for that office. Officially, the prime minister, four deputies, and the 16 ministries that compose the government implement policy; the president determines policy. Nazarbayev has dissolved several governments in instances when a prime minister threatened his position as sole policy maker. Between 1992 and 2004, four prime ministers were dismissed or forced to resign. Only the president can introduce constitutional amendments. He or she has the power to appoint and dismiss the government, dissolve parliament, call for referenda, and appoint administrative heads of regions and cities. Major foreign investment and foreign policy issues are handled by the president's office. The president appoints the members of the Committee for National Security, which plays a major role in law enforcement through its responsibilities for national security, intelligence, and counterintelligence. Nazarbayev, an indecisive administrator whose regime has been plagued by corruption, has survived by balancing competing factions. His daughter and son-in-law have assumed influential positions in politics and the media, respectively. In a case that has been labeled "Kazakhgate," Nazarbayev has been accused of taking bribes from a U.S. oil executive.

Legislative Branch: In the post-Soviet era, Kazakhstan has had four parliamentary structures. Since 1998 the bicameral parliament has consisted of the 39-seat Senate and the 77-seat Majlis. The president appoints seven senators; the rest of the senators are elected by the local councils of their respective provinces. Senators serve six-year terms; two are elected from each of 14 provinces and the cities of Almaty and Astana. Majlis members serve five-year terms. Ten members are elected from the winning party's lists, and the remainder are elected to represent the election districts. Legislation normally is introduced and pushed through parliament by the president or government members, although members of parliament also have the right to introduce legislation. The legislature has no power to appropriate state funds or to lower taxes without approval from the executive branch. In the 1999 Majlis elections, only four of 67 successful candidates represented opposition parties. In the September 2004 Majlis elections, Otan (Fatherland), the presidential party, once again won a decisive majority of seats. In 2005 three women had seats in the Senate, and seven women had seats in the Majlis.

Judicial Branch: The highest court in Kazakhstan is the 44-member Supreme Court, whose members are nominated by the president and chosen by the Senate. The Supreme Court is the appeals court for decisions taken at lower (district and province) court levels. Although nominally Supreme Court judges are appointed for life, in fact they retire at the mandatory federal retirement age of 65. Under the 1995 constitution, the Constitutional Court that had been established in 1991 was replaced by the Constitutional Council. The council rules on all constitutional matters, but its decisions are subject to a presidential right of veto. The council is composed of seven members: three appointed by the president and four appointed by the legislature. Citizens have no right of appeal on council decisions.

Administrative Divisions: In 1997 an administrative reform reduced the number of Kazakhstan's provinces from 19 to 14. The cities of Almaty, Astana, and Baykonur have the same status as provinces. The 1997 reform divided the country into 160 districts and 10 municipal districts.

Provincial and Local Government: The executive officers of the provinces are the administrative heads (*akims*), who are appointed by the president, who also appoints the chief executives of the districts. At city and district level, the legislative body is the local council (*maslikhat*), which is directly elected but has only budgetary and tax-raising power. The *maslikhats* also elect the members of the Senate who represent their districts.

Judicial and Legal System: The system, whose independence is compromised by heavy control by the executive branch, functions at three levels: district, provincial, and federal. Judges at all levels are appointed by the president. Supreme Court and province-level appointments are made through the Supreme Judicial Council, which in turn is composed of ex officio presidential appointees. District-level judges are appointed from lists provided by the Ministry of Justice. Most criminal cases are heard at the district level; provincial courts try cases involving a possible death penalty and serve as appeals courts for decisions at the district level. Provincial court decisions can be appealed to the Supreme Court at the federal level. In 2002 legislation, the prosecutor general, who is the chief legal representative of the state, received new quasi-judicial powers that eroded the already small independence of the judiciary. Although judges are well-paid at all levels, bribery is common. Trial by jury, for which the constitution provides, has not been adopted. Trials are public, and defendants have the right to counsel; however, in 2004 only half of criminal trials involved defense lawyers. Higher-court reversals of verdicts because of improper procedure have been common.

Electoral System: The national election law provides for universal suffrage for citizens aged 18 or older. National elections are overseen by the Central Election Commission, whose members are appointed by the president with the approval of the Majlis. The commission has summarily removed opposition candidates from ballots as recently as the 2002 Senate elections. Opposition candidates also have been bribed and intimidated. International monitors found major procedural flaws in both the Senate elections of 2002 and the Majlis elections of 2004. Local council elections are significant because they provide political parties with a regional base and provide an opening for political pluralism at the local and regional levels. Incidents of harassment and bribery were documented in those elections and in the local council elections of September 2003. The local elections were swept by the pro-presidential party Otan (Fatherland), which ran unopposed in nearly 50 percent of constituencies. Senate elections, which are indirect, are scheduled for December 2005. The next presidential election is scheduled for December 2006 and the next Majlis elections for September 2009.

Political Parties: Political parties have not played an important role in Kazakhstan's political structure, and the Nazarbayev government has worked to prevent the development of an adversarial system. The election law of 2002 placed strict financial and membership requirements on the registration of political parties, which is under the authority of the Ministry of Justice. The government has used this law to restrict opposition activity; aside from the presidential party, Otan (Fatherland), only nine parties—one of which is chaired by the

president's daughter—were officially recognized in 2004. Three of the 10 parties registered for the parliamentary elections of 2004 called themselves opposition parties, although all three are considered moderate. All of the other seven had strong government ties. The constitution prohibits political parties based on religion. In the 2003 local elections, Otan candidates ran unopposed in more than 50 percent of races. Otan also won a decisive majority in the 2004 Majlis elections, whose procedures were criticized by international monitors. The leaders of two forceful opposition parties, the Republican People's Party of Kazakhstan (founded in 1999) and the Democratic Choice of Kazakhstan (DVK, founded in 2001), have been sentenced to prison. The government deprived DVK of its legal status in 2005. Less threatening opposition parties such as the Ak Zhol (White Road) Party have been allowed legal status. In 2005 Ak Zhol split into pro-government and antigovernment parties, the latter of which was denied registration. The For a Fair Kazakhstan bloc, including most of Kazakhstan's opposition groups, was refused registration in 2005. If able to register, the bloc would run its chairman, Zharmakhan Tuyakbai, against Nazarbayev in the 2006 presidential election.

Mass Media: Although the constitution and the Media Law provide for freedom of speech and the press, by 2002 the government had eliminated or silenced most independent media outlets. The daily newspapers with widest circulation are the *Almaty Asia Times* (in English), the *Almaty Herald* (in English), *Ekspress-K* (in Russian), *Kazakhstanskaya Pravda* (expressing the official views of the government in Russian, circulation 55,000), *Khalyk Kenesi* (in Kazakh), *Vecherniy Almaty* (in Russian), and *Yegemen Kazakhstan* (expressing the official views of the government in Kazakh, circulation 62,000). The *Times of Central Asia* covers all of Central Asia except Tajikistan. The weekly Russian-language *Karavan*, owned by President Nazarbayev's daughter, has a circulation of about 250,000. A large percentage of broadcast media outlets were privatized in the late 1990s, but most companies are operated by pro-government owners, including Nazarbayev's daughter and son-in-law. The main television channel, Khabar, reaches 64 million people in Central Asia and parts of China and Russia. Five other national channels, KTK (the commercial channel), NTK, Channel 31, TRK Shakh, and TAN, are active. The largest national radio stations are Rakhat, Radio Europa-Plus Kazakhstan, Radio Hit, Radio NS, Radio City, Radio-Caravan, and TAN-Plus. Public and private regional television channels and radio stations also exist. The state press agency is the National Information Agency, Kazinform. Major foreign news agencies in Kazakhstan are Agence France-Presse, Anadolu Ajansı of Turkey, the U.S.-based Internews Network, the Islamic Republic News Agency, ITAR-TASS and RIA-Novosti of Russia, Reuters, and Xinhua.

Foreign Relations: In 2005 Kazakhstan continued its largely unsuccessful advocacy of stronger relations among the states of the former Soviet Union and among the five Central Asian states. Despite ongoing efforts by President Nazarbayev, neither of the two existing regional economic organizations—the Central Asian Economic Community and the Eurasian Economic Community—has increased regional cooperation. The only regional rapprochement occurred in the realm of national security, as the members of the Shanghai Cooperation Organization (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan) began issuing geopolitical policy statements as a bloc in 2004. Kazakhstan's bilateral relations with Russia improved significantly in the early 2000s, and the government declared 2004 the "Year of Russia." Bilateral programs with Russia involve joint exploitation of Caspian Sea fuel deposits, long-term Russian rental of Kazakhstan's Baykonur Cosmodrome, and cooperation in power generation. Caspian Sea

exploitation remains in dispute with the other three littoral states, Azerbaijan, Iran, and Turkmenistan. Relations with Uzbekistan have remained tentative because of earlier border disputes and Uzbekistan's ambitions to dominate the region. Relations with the United States have been fruitful for Kazakhstan, which has benefited from substantial U.S. investment in the fuels industries. In 2001 Kazakhstan provided the United States landing and overflight rights for military operations in Afghanistan. In the early 2000s, Kazakhstan carefully balanced its position among the competing regional interests of China, Russia, and the United States, emphasizing common concerns about terrorism with the United States. In 2003 Kazakhstan supported the U.S. policy in Iraq, contributing a small military contingent to Operation Iraqi Freedom.

Membership in International Organizations: Among the international organizations of which Kazakhstan is a member are the Asian Development Bank, Commonwealth of Independent States, Economic Cooperation Organization, European Bank for Reconstruction and Development, Food and Agriculture Organization, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Criminal Police Organization (Interpol), International Development Association, International Finance Corporation, International Fund for Agricultural Development, International Labour Organization, International Monetary Fund, International Organization for Migration, International Telecommunication Union, Islamic Development Bank, Nuclear Suppliers Group, Organisation for the Prohibition of Chemical Weapons, Organization for Security and Cooperation in Europe, Organization of the Petroleum Exporting Countries, Partnership for Peace (of the North Atlantic Treaty Organization), Shanghai Cooperation Organization, United Nations, United Nations Committee on Trade and Development, United Nations Educational, Scientific, and Cultural Organization, United Nations Industrial Development Organization, Universal Postal Union, World Customs Organization, World Federation of Trade Unions, World Health Organization, and World Trade Organization (observer status).

Major International Treaties: Between 1994 and 1997, Kazakhstan signed a series of bilateral treaties with the United States covering the peaceful use of nuclear technology and the conversion of military technology to civilian purposes. Among the multilateral treaties to which Kazakhstan is a signatory are the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal; Convention on Biological Diversity; Convention on Long-Range Transboundary Air Pollution; Convention on the International Trade in Endangered Species of Wild Flora and Fauna; Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and on Their Destruction (but not the companion treaty on biological and toxin weapons); Geneva Conventions; Montreal Protocol on Substances That Deplete the Ozone Layer; Protocol of 1978 Relating to the International Convention for the Prevention of Pollution From Ships; Treaty on the Non-Proliferation of Nuclear Weapons; United Nations Convention to Combat Desertification; and United Nations Framework Convention on Climate Change. Kazakhstan has signed but not ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

NATIONAL SECURITY

Armed Forces Overview: When the Soviet Union dissolved, Kazakhstan inherited a large but antiquated military technical base, including nuclear weapons that remained the property of Russia after 1991. However, development of an officer corps and a national military policy has been a slow process that has suffered from inadequate funding. Only in 2001 did military spending reach 1 percent of gross domestic product. Since the late 1990s, the number of active military personnel has grown considerably, from about 40,000 in 1995 to about 66,000 in 2004. In 2004 the army had 46,800 active personnel and the air force, 19,000 active personnel. The maritime border guard had 3,000 personnel. Reserve forces totaled 237,000. In 2005 much of Kazakhstan's equipment still was of the late Soviet era; hence, it required significant upgrading or replacement.

Foreign Military Relations: The critical foreign military link remains Russia, which is the main source of military equipment and personnel training. Kazakhstan is a signatory of the Collective Security Treaty of the Commonwealth of Independent States, with Armenia, Belarus, Kyrgyzstan, Russia, and Tajikistan. That group has focused on collective security in Central Asia. Kazakhstan also has cultivated military links with the United States. Under the North Atlantic Treaty Organization (NATO) Partnership for Peace program, U.S. and Kazakhstani troops have engaged in regular joint training exercises since 1997. The United States has trained officers and provided some naval equipment.

External Threat: Post-Soviet border disputes with China and Uzbekistan have been settled, and in 2005 Kazakhstan had no likelihood of involvement in armed conflict with any neighbor.

Defense Budget: After resisting increases in the 1990s, the Nazarbayev government has increased the defense budget annually since 2000. Between 2001 and 2004, the amount increased from US\$180 million to US\$362 million.

Major Military Units: The army has four mechanized rifle brigades, two artillery brigades, one mechanized rifle division, one mechanized rifle brigade, one engineer brigade, one mechanized division, one multiple rocket launcher brigade, one air assault brigade, and one surface-to-surface missile brigade. The army is administered from four district headquarters. The air force consists of one division, including one fighter regiment, three ground-attack fighter regiments, and one reconnaissance regiment. The maritime border guard forces are stationed at the Caspian ports of Aktau and Atyrau.

Major Military Equipment: The army has 650 main battle tanks, 140 reconnaissance vehicles, 508 armored infantry fighting vehicles, 84 armored personnel carriers, 505 pieces of towed artillery, 163 pieces of self-propelled artillery, 171 mortars, 147 multiple rocket launchers, 12 surface-to-surface missiles, and 68 antitank guns. The air force has 40 MiG-29 fighter aircraft, 53 Sukhoi ground attack fighter aircraft, 2 attack helicopters, and 12 Sukhoi-24 reconnaissance aircraft. The navy has 10 small fighting vessels.

Military Service: The term of active service is 24 months. Males become eligible for conscription at age 18. The hazing of conscripts is a common practice.

Paramilitary Forces: In 2004 Kazakhstan had a total of 34,500 paramilitary personnel, of which 12,000 were in the state border protection forces (under the Ministry of Interior), 20,000 in the internal security troops (police, under the Ministry of Interior), 2,000 in the presidential guard, and 500 in the government guard.

Foreign Military Forces: Kazakhstan has provided overflight and overland supply shipment rights to U.S. forces in Kyrgyzstan and Uzbekistan.

Military Forces Abroad: In mid-2005, 29 Kazakhstani medical troops were attached to Operation Iraqi Freedom in Iraq.

Police: The police, numbering 20,000 in 2005, are supervised by the Ministry of Interior, which traditionally has been run by a military official. The first civilian minister of interior was appointed in 2003, placing all of Kazakhstan's security forces under civilian control. The government has used police to harass and incarcerate opposition journalists, political figures, and demonstrators. Human rights organizations have reported frequent incidents of police brutality. The secret police have been effective in discouraging opposition organizations, but the regular police, who are poorly paid, are ineffective and often corrupt. In 2003 the Ministry of Interior reported 300,000 complaints of police corruption. In the early 2000s, the government has taken some measures to improve police practices.

Internal Threat: The government has successfully discouraged civil unrest except for demonstrations on specific issues such as pension arrears. Crime figures on Kazakhstan are not available, but organized narcotics smuggling and human trafficking have prospered in recent years because of Kazakhstan's location between source countries and Russia and the ineffectiveness of border controls.

Terrorism: In 1995 Kazakhstan joined what later became the Shanghai Cooperation Organization, a group also including China, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, aimed at regional prevention of Islamist and separatist activities. However, Kazakhstan's involvement with terrorism, either as a victim or as a supporter, is not considered likely. Although Islamic fundamentalism has no attraction for Kazakhstan's Muslims, the government poses the terrorist threat as a pretext for domestic repression. In 2005 the Majlis banned the pan-Islamist group Hizb ut-Tahrir as a terrorist organization because of the group's calls for an international Islamic government.

Human Rights: Government control of the media has increased in the early 2000s. Newspaper and broadcast reporters have been beaten and imprisoned when government corruption became a major focus of reporting. As an additional control, the government has restricted access to printing and distribution facilities. In 2004 Nazarbayev approved a law restricting press coverage of elections, and media coverage of the Majlis elections of September 2004 was severely restricted. Expression of meaningful political opposition is limited by electoral malfeasance (as noted by international monitors in each of the most recent three national elections) and restrictions on party registration. Prosecutors have very broad authority that negates the constitutional guarantee of a fair trial and has resulted in reversal of some trial verdicts. Police brutality is reported in prisons and in dealing with suspects. Prison conditions are very harsh.

The constitution guarantees the right of assembly, but the Law on National Security has been used widely to label demonstrations and meetings as security threats. All public organizations must register with the Ministry of Justice. The vagueness of laws on nongovernmental organizations has been used to restrict the activity of such groups, and police harassment has been frequent. Kazakhstan has been the source, destination, and transit country for trafficking in people. According to estimates, in 2004 such incidents involved several thousand victims, mainly young women. Some 25,000 crimes against women were reported in 2003. Freedom of religion generally is protected, and religious organizations are not required to register. Jehovah's Witnesses and Hare Krishna members have met local persecution, however.